IETA Response to the SBTi Corporate Net Zero Standard 2.0 (CNZS 2.0) Consultation

30 May 2025

1 General statement

IETA welcomes the Science Based Targets initiative (SBTi) initial draft of its revised Corporate Net-Zero Standard (CNZS2.0) which provides **a more actionable framework for companies to decarbonize**, giving more flexibility on target setting and allowing for the recognition of beyond value chain mitigation (BVCM) in addressing ongoing emissions, while ensuring robust targets, process and outcomes validation, and encouraging the scale-up of removals to address residual emissions. The proposed changes should enhance adoption of the Standard and promote setting net zero targets aligned with the Paris Agreement goals. We also welcome SBTi putting action and progress at the heart of the Standard.

IETA however would like to see an enhanced role for the use of high-quality carbon credits. IETA believes that a central objective of climate change policy should be the efficient direction of capital within the market towards low and zero carbon emission investment. We therefore support carbon markets as a broad based, flexible mechanism for countries and companies to help deliver net zero.

IETA believes[1] that companies shall be allowed to legitimately use credits to:

i) count towards their targets (proactive and integrated into the company's strategy from the outset, alongside internal decarbonization efforts),

ii) address underperformance against their targets (corrective action),

[1] https://www.ieta.org/wp-content/uploads/2024/04/IETA_VCM-Guidelines.WEB-2.pdf

iii) address ongoing emissions on the pathway to net zero (some or all), and;

iv) address residual emissions at net zero (with carbon removal credits).

We strongly believe that more climate action is required now and that carbon markets can help pave the road to net zero delivery in 2050. **Enhancing the use cases for carbon credits with appropriate safeguards and claims will increase adoptability of the Standard by companies**, enforcing the necessary climate action to meet the Paris Agreement goals collectively.

2 Addressing operational (scope 1 and 2) emissions (3.2)

IETA strongly supports including measures to address underperformance against near-term targets for all 3 scopes, when targets have been missed. In this regard:

- We believe SBTi should allow the flexibility for companies to address underperformance, even when the emissions gap is **greater than 25%**.
- **IETA supports companies choosing the approach** (i.e. Budget-Conserving Contraction, Linear Contraction, Linear Contraction with permanent removals) **that best fits their decarbonization strategy** to address their underperformance in Scope 1 emissions. We suggest SBTi makes it a requirement to use of high-quality emission reduction and removal credits as a correction mechanism to ensure companies meet their targets. This represents a feasible, realistic way for companies to stay on track, and can also spur the investment necessary to increase scale and decrease costs, required for achieving global climate goals.

For scope 2 emissions, IETA does not support the requirement for a location-based target, as it would not permit any market-based measures and thus would be extremely difficult for most companies to achieve. This unfairly disadvantages companies with operations where the grid emission factor is high. Should SBTi choose to keep the location-based target, we suggest allowing the use of carbon credits as a flexible mechanism to help companies who cannot, due to location, achieve this target.

IETA supports the update to a zero-carbon electricity target (previously a renewable energy target) if the definition is adapted. We support the increased flexibility for market boundaries for carbon-free energy as it will promote additional action from companies, which otherwise likely would not occur due to sourcing not being possible in certain regions. However, we suggest removing the following sentence from the definition: “Fossil-fired electricity with carbon capture and sequestration (CCS) and certain renewable resources, such as sustainably sourced biomass, are not classified as zero-carbon due to potential emissions associated with their lifecycle and operational practices (adapted from Climate Group).” The use of sustainable biomass (zero rated under EU law) and low carbon gases should fall under the definition.

IETA does not support covering 100% of scope 1 and 2 emissions within companies' targets because it does not provide flexibility to exclude immaterial emissions. This can result in significant time and resources to track emissions which are not material to the overall footprint. SBTi should revert the coverage requirement to 95% instead of 100%.

3 Addressing other value chain (scope 3) emissions (3.3)

IETA supports the proposed direction and improved clarity on addressing scope 3 emissions in the CNZS 2.0 Draft. In this regard:

- **IETA supports the ability to employ indirect mitigation measures but does not support the limitation of only being employed for Scope 3 emissions.** We believe that market mechanisms are also an effective method to address Scope 1 emissions and companies should be able to use them.
- **We support the requirement to set scope 3 targets for Category A[2] companies**, provided that actionable frameworks are provided for companies to address their scope 3 emissions, including the use of carbon credits. We also support this requirement for all types for companies.
- **IETA supports the newly proposed scope 3 boundaries for target setting**, as this will reduce the barriers for companies to prioritize scope 3 action areas.
- **We support the use of high-quality emission reduction and removal credits for within value chain mitigation**, in conjunction with other voluntary indirect mitigation measures. IETA believes it is worth considering options such as in-value chain carbon credits as proposed in SBTi's Scope 3 Discussion Paper[3] published in 2024, to allow a broader suite of activities available to companies.

- **Examples:** as traceability is hugely challenging for Scope 3 FLAG sector's emissions in developing countries, JREDD or other REDD+ credits should be eligible for indirect mitigation as these emission reductions are strongly associated with the value chain, as they come from the same sourcing landscapes and investment in these credits supports government-led/landscape-based programs to drive systemic change. Similarly, credits generated from jurisdictional energy transition programs (e.g. the Energy Transition Accelerator), should be eligible for indirect mitigation for Scope 3 energy use/industrial related emissions. Credits generated from landfill methane

[2] Category A companies are large and medium-sized companies operating in higher-income geographies. These companies are required to adhere to all SBTi criteria, including setting Scope 3 targets, while Category B companies, which are smaller and operate in lower-income areas, have increased flexibility with some criteria being optional.

[3] https://files.sciencebasedtargets.org/production/files/Aligning-corporate-value-chains-to-global-climate-goals-SBTi-Research-Scope-3-Discussion-Paper.pdf?dm=1734357669

abatement could be eligible for indirect mitigation of Scope 3, Category 12 emissions from the disposal or recycling of the company's products after their use. Arguably these mitigation activities support absolute emission reductions in sectors in need of climate finance, helping to “drive transformation relevant to a company’s value chain,” and would be appropriate as a “time-limited measure to address indirect emissions.”

- **On carbon credits, we recommend SBTi to endorse existing guidance from ICVCM, CORSIA, ICROA and the Paris Agreement Crediting Mechanism (PACM). Carbon credits endorsed by any of these schemes should be considered high quality.** For independent assessments of carbon credit projects, buyers can review the ratings and reports produced by specialized rating agencies.
- We recommend SBTi to seek alignment with existing frameworks to address scope 3 emissions, including the **VCMI’s Scope 3 Action Code of Practice, the AIM Platform and the Verra Scope 3 Program.**
- **Accounting should be based on internationally recognized guidance from the GHG Protocol, ISO and AIM Platform, which are currently evolving**.

IETA also supports the direction for allowing the use of **indirect mitigation** on a voluntary basis when traceability barriers exist. In this regard, we recommend SBTi to:

- **Clarify definitions** of direct and indirect mitigation, and activity pool (supply shed).
- Align with GHG Protocol, ISO and ISEAL on **Chain of Custody definition** and guidance.
- Provide guidance on the **level of traceability** that companies should ultimately strive to achieve. Guidance may be sector-specific or even commodity specific.
- Ensure **safeguards** are in place if indirect mitigation is allowed to be counted towards targets.
- Request more clarity on paths to substantiate progress against targets in both upstream and downstream activity pools. Specifically, clear language regarding the use of **book-and-claim certificates** for commodities in upstream value pools and the use of **energy attribute certificates** in downstream activity pools such as electricity grids where sold products are used.
- **Ensure support for different sectors has equivalent approaches** (e.g. SAF for aviation, RECs for energy) and options are available for companies that have emissions in other hard to abate sectors.
- For renewable transport fuels (including those used in aviation, shipping, and corporate road fleets), the quality of emissions certificates used for indirect mitigation

should be underpinned by **credible fuel certification** and can be enhanced by transfer through a registry. All renewable fuels used for indirect mitigation should be certified under a recognized, science-based standard. Certification must be conducted by an independent third party to ensure that sustainability criteria and life cycle greenhouse gas (GHG) reductions are robust. Corporates should retain flexibility in choosing the certification standard, provided it is credible and aligned with relevant policy frameworks (e.g., RED II, Refuel EU, CORSIA). SBTi should not mandate a specific feedstock type or carbon intensity threshold, allowing companies to align with applicable standards best suited to their operations.

- Certificates generated from the use of renewable fuels must be legitimate. Legitimacy should be defined by: i) verification through a third-party audit, ii) traceability of fuel origin and use, iii) absence of double counting, and iv) alignment with GHG accounting principles. **SBTi should not define an exclusive list of eligible registries or mechanisms for tracking certificates but should recognize registry systems as a useful additional assurance mechanism**. Registries can enhance transparency and confidence in claims but often impose additional sustainability conditions that go beyond emissions tracking and may add unnecessary cost and complexity.
- **Stacking of incentives** (e.g., subsidies, Renewable Identification Numbers [RINs], RFS, LCFS), is a standard and necessary practice in renewable energy markets and should also apply to renewable transport fuels. Voluntary scope 3 claims must be allowed even when such fuels benefit from other policy instruments to close the cost gap; otherwise, uptake will be commercially infeasible.
- **Demonstrating regulatory additionality represent a challenge for most companies.** Many mandates are GHG obligations with optionality so how does one distinguish between a mandate an incentive scheme or other instruments? Even with strict conditions on additionality, it is unclear whether voluntary demand would displace regulatory demand. For example- according to the Global Maritime Forum allowing a voluntary scope 3 claim for renewable fuel use alongside scope 1 reductions under EU ETS would be considered additional, but not if it's made in respect of meeting Fuel EU Maritime GHG obligations on ship operators. Drawing lines around regulatory additionality is not clear, therefore we propose that **a voluntary scope 3 claim can be made regardless of the regulation on scope 1,** so long as the emissions saving is only counted once on one NDC.
- **SBTi should not set a fixed timeline for phasing out indirect mitigation measures using renewable transport fuels.** The market is still developing, and premature restrictions could deter investment and long-term offtake agreements. While the EU may achieve broad SAF availability by 2035, global access to renewable transport fuels will remain uneven. Bloomberg NEF projects just 7%

global SAF penetration by 2050. A minimum 10-year recognition period should be granted for indirect mitigation using renewable transport fuels, with a review point thereafter based on global fuel availability and market maturity.

- **These principles should apply equally across all transport sectors**, including shipping and corporate ground fleets. Each sector should be able to leverage renewable transport fuels for scope 3 reductions, subject to the same safeguards around certification, traceability, and accounting integrity.

4 Addressing residual emissions (3.4)

IETA strongly supports that companies address their residual emissions by setting removal targets, for all scopes, provided that actionable frameworks are provided for companies to address these emissions. In this regard:

- **Near-term carbon removal targets should be mandatory for scopes 1 and 2 and separate to emission reduction targets:** this is pivotal for encouraging early investment in carbon removal technologies and ensuring sufficient supply to meet neutralization requirements by companies' net zero target years. The consequences of missing mandatory interim carbon removal targets should be clarified.
- **Near-term removal targets should be recommended for Scope 3:** The SBTi should explicitly enable and promote the use of high-integrity removal credits for addressing all residual emissions, including Scope 3. Setting interim removals targets based only on scope 1 will limit the ambition and impact of those targets, and miss the mark on SBTi's objective to enable appropriate scaling of removals projects ahead of 2050. Limiting the removal targets to scope 1 may crowd out companies that are most willing to play a key role in the carbon dioxide removals (CDR) market and further limit the volumes of CDR demand to insufficient levels for the market to scale. **We recommend SBTi considers approaches to address projected scope 3 residual emissions, with significant recognition given to companies.** In the net zero state, companies will still have scope 3 emissions which will need to be addressed. SBTi recognizes this by requiring companies to neutralize all residual emissions across all scopes in the net zero state. While the likelihood is that there will not be 100% uptake of SBTs, it will remain necessary for companies to address emissions in their upstream and downstream value chains to support a full transition to global net zero.
- **Need clarity on the mechanisms to address residual emissions addressed through additional abatement or removals within the value chain**. The Standard should provide more details on the roles and responsibilities of the partners in the value chain, the sharing of costs and the accounting and claiming mechanisms of their actions, as mentioned above.

- **Option 3** - residual emissions addressed through additional abatement or removals – is interesting because it recognizes companies' ability to address emissions will vary over the period according to the mitigation hierarchy: it accommodates this flexibility in setting removal targets.
- IETA understands that the removal targets are cumulative under **options 1 and 2**, based on the Explanatory Guide[4]. If that is indeed how it is intended, IETA believes this approach would not be science-based and is insufficient to avoid tipping points and stimulating demand. It contradicts definitions and formulas in the Target Setting Methods Documentation, which does not mention cumulative targets. The cumulative approach does not reflect a gradual increase. Rather, with the cumulative approach, the total removals required in 2050 will be spread over 20 years, then in 2051 the volume of removals required by each company will spike. This is not a valid approach and no way to build the removals market. Companies have an obligation to remain at net zero after 2050.

IETA strongly supports the Gradual Transition Approach[5] as minimum durability threshold for determining what removals are eligible to be used by companies. While we support the work of governments and initiatives to carve out a space for all types of removals to scale, we believe that the like-for-like approach[6] poses challenges for several reasons. In this regard:

- **Any permanence and durability criteria should be established in a manner that facilitates both nature-based (NBS) and well as technology-based CDR.** All types of removals can help meet climate goals. IETA recommends that companies can use both nature-based and engineered carbon removal credits to neutralize all residual emissions.
- SBTi needs to address the risks in the target setting approaches, in terms of complexity for companies and market fragmentation between conventional and novel CDR. For this reason, **the gradual approach would be simpler and more realistic for companies**, as it does not overcomplicate GHG accounting and allows for conventional CDR to play a role while the market matures to offer reliable and more affordable novel CDR technologies.
- **The like-for-like approach is unworkable for most NBS projects.** It introduces significant challenges, including complex reporting requirements to distinguish

[4] https://files.sciencebasedtargets.org/production/files/CNZSV2DetailedExplanatoryGuide.pdf, slide 52.
[5] **Gradual transition approach:** Companies use a mix of removals with varying durability, gradually increasing the share of long-term carbon dioxide removal (CDR) over time, in line with modeled 1.5°C pathways. Companies report total aggregated emissions as CO2-equivalent and match them with a combination of removal solutions offering different storage durations.
[6] **Like-for-like approach:** The threshold is based on the atmospheric lifetime of greenhouse gases (GHGs). Companies must report emissions by individual GHGs and match each residual emission source with removals that effectively counterbalance its impact (e.g., FLAG, fossil, and non-CO2 emissions). By the net-zero target year, all residual emissions must be neutralized through a like-for-like removal approach.

between fossil-based and biogenic emissions, and the difficulty of sourcing sufficient high-quality credits matched to each emissions type. While the gradual approach is somewhat more feasible, it could still effectively exclude NBS by 2050 unless it is adapted.

- IPCC scenarios, which lay out many paths to achieve net zero emissions, demonstrate that the inclusion of NBS allows for a faster and less costly transition for society. **We call on SBTi for a stronger endorsement of NBS, beyond the gradual transition approach, as a transition measure to only durable removals at net zero: 100% NBS through 2030 should be allowed, with a slower ratcheting down to longer durability by 2050**.
- Recommend SBTi to undertake analysis to **understand the scale of the demand that would be created by the different options**. Further clarity from SBTi on details such as defining durability and assessing quality is needed to fully understand the impact of the options and therefore to develop a fully informed response.
- Particularly as the GHG Protocol Land Sector and Removals Guidance continues to be pushed, it's important to incentivize removals, but also to **allow flexibility for companies in the near-term to prioritize and maximize emission reductions**.
- Recognize **flexibility for sectors** with very large and hard-to-abate Scope 1 emissions.

Both technology-based and nature-based removals pathways are necessary and complementary, and the SBTi should promote a diversified portfolio. In this regard:

- The proposed requirement of up to 1,000 years of CO_2 permanence risks disqualifying most nature-based removals, despite their scientifically recognized climate benefits and essential role in delivering biodiversity and social co-benefits. Rather than applying arbitrary thresholds, the SBTi should focus on **incentivizing high-integrity projects with robust permanence risk management** (e.g., buffers, insurance). NBS removals already incorporate buffer mechanisms to mitigate reversal risks. In addition, new tools like insurance schemes (e.g., the MIGA initiative from the World Bank), further enhance the integrity of these credits. These mechanisms should be recognized and integrated into the durability framework. These projects represent one of the most scalable and cost-effective pathways to net zero.
- SBTi should explicitly define "permanent removals" and "durability". It is not clear what role there is for risk mitigation measures (e.g., buffer pools and insurance) when defining durability. **IPCC AR6 should be the primary source of reference** (which notes "CO_2 has multiple atmospheric lifetimes" – e.g. not 100% of CO_2 takes 1,000

years) as well as the peer-reviewed article[7] cited in that section on atmospheric lifetime. Current scientific understanding suggests there is no single atmospheric lifetime of carbon. Basing a standard of emissions target-setting on a single lifetime of carbon would represent a deviation from the best available science.

- Rather than imposing inflexible thresholds, **we recommend SBTi to prioritize the use of removals aligned with recognized high-integrity frameworks.** This would enable the operationalization of both NBS and tech-based removals, while scaling up finance to sectors that offer broader climate, nature, and people benefits. It is important to note that for the moment, ICVCM only covers a small percentage of the market and there are no credits issued to the single removals protocol (ARR, VM0047) which has been awarded the ICVCM CCP label.

IETA supports SBTi building on existing standards and certification frameworks to ensure that CDR adhere to robust quality standards. In this regard:

- We support and emphasize the importance of **clarifying the criteria which define a high-quality CDR**. In particular, we believe harmonizing the market to the same standard is of utmost importance for the functioning and integrity of the market. In this regard, we believe the work of **ICVCM, CORSIA, ICROA and the PACM** should be leveraged and ensure standards cross reference each other. The draft refers to the GHG Protocol Draft Land Sector and Removals Guidance. However, to align with market evolution and promote harmonization, the SBTi should seek alignment with the frameworks mentioned above which offer a science-based, transparent, and widely endorsed benchmark for high-integrity carbon credits, including removals.

5 Addressing the impact of ongoing emissions (4)

IETA supports that companies should address their ongoing emissions, for all scopes, and welcomes SBTi for providing a more actionable framework to address them. In this regard:

- While SBTi's proposal to recognize leading companies that take responsibility for some ongoing emissions and use BVCM to address them is a very welcome shift, we are concerned that it will **not provide a strong enough incentive and needs to be strengthened.**
- **A stronger incentive for action is to count BVCM, including removals, towards interim targets**, **expanding on SBTI's interim removal targets** for all Scopes (required for scopes 1 and 2, optional for scope 3), with BVCM strongly recommended for ongoing emissions and recognition received via the SBTi online dashboard.

[7] Joos et al, 2013 https://acp.copernicus.org/articles/13/2793/2013/acp-13-2793-2013.pdf

- We recommend that while BVCM action should be voluntary and encouraged, **all companies should be required to report on their BVCM actions.** Any company showing ongoing progress towards their targets should be recognized for BVCM action. **IETA stands ready to work with SBTi to support improved incentivization of BVCM.**
- The option to address ongoing emissions and recognize these efforts through an online dashboard, should **apply to all categories of companies** including if they only address scope 1 and 2 emissions.
- **Taking account of ongoing emissions through BVCM is an option only and not mandated.** This is because the extent to which companies can take action to compensate for ongoing emissions will differ by sector, by geography and by the financial means of the company. It therefore is not practicable to mandate a method to determine the scale of BVCM contribution.
- **It is highly likely that companies will miss science-based targets.** Research by Bain & Company[8] has shown that 47% of companies with net zero commitments are well behind on delivering their Scope 3 targets, a 30% increase in recent years. The existing gap of 1.4Gt CO_2e in 2025 is set to grow fivefold to 7GT CO_2e in 2030. The SBTi Scope 3 survey also revealed that many companies that have set Scope 3 targets are not on track to meet them, with half of respondents with SBTi targets reporting as being off-track for delivering their Scope 3 targets[9]. **Our preference is that companies at risk of missing their targets shall use carbon credits to stay on track, by compensating for missed targets as a corrective action**, as they would do under a cap-and-trade system.
- **All progress to decarbonize should be encouraged** and companies who choose to act on ongoing emissions should be encouraged to do so **irrespective of their target progress.**
- **As mentioned previously, we recommend SBTi to endorse existing guidance from ICVCM, CORSIA, ICROA and the PACM for high quality carbon credits and crediting programs.** We recommend that SBTi clarifies the role of corresponding adjustments in this section, especially if PACM credits are used for BVCM. Corresponding adjustments should not be mandatory for any voluntary use of carbon credits by companies.
- **Companies who choose to take BVCM action shall report their contributions on an annual basis** to align with corporate GHG inventory reporting and disclosure. IETA suggests requiring companies that use carbon credits to report and disclose as

[8] https://www.bain.com/globalassets/noindex/2024/bain_report_the_visionary_ceos_guide_to_sustainability-2024.pdf
[9] https://sciencebasedtargets.org/resources/files/SBTi-The-Scope-3-challenge-survey-results.pdf

much information as possible, including identifying the crediting program, methodology, project, vintage, volume of credits retired, and any integrity label or rating associated with the credits.

- The most credible and effective methods for recognizing BVCM contributions are **third party verification and Industry verification programs** (e.g. VCMI or possibly the new ISO 14060 Standard once developed).

6 Assessing and communicating progress (5)

IETA welcomes the more robust approach for assessing and communicating progress toward targets, that will improve the transparency and accounting of the SBTi CNZS 2.0. Regarding, requirements to ensure robust and reliable data for **substantiating target progress**: we believe:

- **Mitigation outcomes outside the value chain (e.g. carbon credits) shall be allowed to count toward their targets**. The credibility of the claim comes with appropriate safeguards, reporting and information disclosure mentioned above, and not with the limitation on the use of carbon credits.

7 Eligible claims for optional recognition for addressing ongoing emissions (6.5)

IETA supports the use of high-quality carbon credits from **both emission reduction and removal activities for compensation claims on the pathway to net zero**, on the condition that they are reported in a transparent and accurate manner[10], as mentioned above. In this regard:

- IETA supports the proposed claims that recognize companies' efforts and achievements on the pathway to net zero, but guidance related to BVCM claims to address ongoing emissions is very insufficient in this section. **We strongly encourage adding detailed guidance to ensure companies using the Standard have a robust use case to invest in and claim BVCM**, including market mechanisms.
- **Compensation claims ensure accountability**, recognize the environmental impact of carbon credits, and provide a clear and understandable framework for buyers. They also counteract accusations of greenwashing, when decarbonization is happening in parallel, and emphasize the importance of taking responsibility for one's carbon footprint [11].

[10] https://ieta.b-cdn.net/wp-content/uploads/2025/03/IETA-EU-GCD-Position-Paper.pdf
[11] https://www.ieta.org/resources/reports/the-case-for-compensation-claims/

- **Contribution claims are valued by companies who deliver BVCM.** We align with SBTi that this contribution can include carbon credits as well as other forms of investments into decarbonization. This type of claim may be the right choice if that's the company's preference, and the style of claim motivates a company to take more ambitious climate action. When a company prefers to style their purchase of carbon credits as a contribution to the global good, this is the approach they should use. IETA notes that some of its members have moved to contribution claims, stating that their action remains the same and only their claims have changed.

8 Additional feedback, insights, considerations

IETA provides the following additional feedback:

- Define "residual emissions" not as -90/95% but as in ISO 14068: "Residual GHG emissions are defined as remaining emissions after implementing all technically and economically feasible GHG emission reductions". ISO 14060, currently being developed, is following a similar approach.
- C4.1: "Companies undergoing validation for the first time shall select a base year no earlier than three years before the date of submission for the Initial Validation.": IETA does not support this because it does not provide flexibility to companies who may already have an established base year which is earlier. Three years is too narrow a time window, SBTi should revert the requirement to "The base year shall be no earlier than 2015".
- C16.7: "Companies shall set targets to reach 100% spend on tier 1 suppliers providing emissions-intensive activities to be "transitioning" by 2030": SBTi should recognize that hard-to-abate sectors like such as Oil and Gas companies do not yet have Standards to follow and this requirement may have unworkable consequences.